

## Anti-Money Laundering Training Lesson Three

### Monitoring Suspicious Activity and Reporting Requirements

#### Suspicious Activities

It is important to know your clients and recognize when their activities fall outside of the normal or expected range. Consider suspicious any transaction that appears to lack a reasonable economic basis or recognizable strategy. Be aware of activities that raise a red-flag and could indicate money laundering; some examples include, but are not limited to the following:

- Applicant who purchases policies in amounts considered beyond the applicant's apparent means;
- Any unusual method of payment, particularly by cash or cash equivalents (when such method is, in fact, unusual);
- The early termination of a policy, especially at a cost to the customer or where cash was used or the refund check is directed to an apparently unrelated third party;
- The transfer of ownership or benefit of the product to an apparently unrelated third party;
- Applicant shows little concern for the investment performance of a product but more concern about the early termination features;
- Applicant is unwilling to provide information for identity verification;
- Applicant is reluctant to provide normal information, provides minimal or fictitious information, or provides information that is difficult or expensive to verify;
- Applicant requests to make a lump sum payment by wire transfer or with foreign currency;
- Applicant applies for a large insurance policy and within a short period of time cancels the policy and requests the cash value returned to a third party;
- Applicant wants to borrow the maximum cash value of a single premium policy soon after paying for the policy;
- Change of address to or change of owner involving foreign countries;
- Applicant who purchases policies from several institutions in a short period of time;
- Large overpayment of premiums; and
- Unusually great concern with your or the insurer's compliance with reporting requirements.

#### Suspicious Activity Report

If you suspect or know that a transaction involves funds related to an illegal activity or is designed to avoid regulations you must report the transaction to the insurance carrier's compliance officer. A determination as to whether a report should be filed must be based on all the facts and circumstances relating to the transaction and customer. Different fact patterns will require different judgments.

You must *not* notify the client. The BSA prohibits employees and agents from informing clients that their activities have been or may be reported as suspicious, that a Suspicious Activity Report (SAR) is filed, or that an ongoing investigation regarding activities in his or her account is being conducted.

**End of Course.**